

REVENU
QUÉBEC



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FORMULAS TO CALCULATE
SOURCE DEDUCTIONS
AND CONTRIBUTIONS

2022

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YOU PLAY AN ESSENTIAL ROLE IN THE FULFILMENT OF OUR MISSION.

By adequately calculating the source deductions of your employees and your employer contributions, you make sure that you and your employees are contributing to society's future.

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Important

The information contained in this guide does not constitute a legal interpretation of the laws or regulations of Québec or Canada. This guide must be used for 2022. It does not contain any tax changes for 2022 that were announced after October 31, 2021. You must therefore make sure that the information reflects current fiscal legislation.

Go to our website to:

- get information about the changes that have been made to source deductions and contributions (including those announced after the publication of this document);
- find other documents for employers;
- use our online services.

If you need other information, contact us at one of the numbers or addresses given at the end of this guide.

PRINCIPAL CHANGES

See section 1.2 for a list of the abbreviations used in this document.

Indexation

The personal income tax system is indexed at 2.64% for 2022.

Income tax rates and income thresholds

The taxable income thresholds have been indexed for 2022. The income tax rates have not changed. The constants used to adjust income tax rates have also been indexed. The table below shows the income tax rates, income thresholds and constants for 2022.

Income tax rates, income thresholds and constants for 2022

Taxable income		Tax rate	Constant
more than	not more than		
\$0	\$46,295	15%	\$0
\$46,295	\$92,580	20%	\$2,314
\$92,580	\$112,655	24%	\$6,017
\$112,655	–	25.75%	\$7,989



Personal tax credit amounts

The personal tax credit amounts on the *Source Deductions Return* (TP-1015.3-V) are indexed for 2022.

The table below shows the personal tax credit amounts for 2022.

Personal tax credit amounts	2022
Basic personal amount	\$16,143
Amount transferred from one spouse to the other	\$16,143
Amount for other dependants	\$4,519
Amount for a child under 18 enrolled in post-secondary studies (per term)	\$3,101
Additional amount for a person living alone (single-parent family)	\$2,284
Amount for a severe and prolonged impairment in mental or physical functions	\$3,584
Amount for a person living alone	\$1,850
Age amount	\$3,395
Amount for retirement income	\$3,017
Reduction threshold of the age amount, the amount for a person living alone, the amount for retirement income and the amount for career extension	\$36,590

Deduction for employment income

For 2022, the maximum deduction for employment income is \$1,235.

QPP contributions

The table below provides the QPP data for 2022.

QPP data	2022
Maximum pensionable earnings (pensionable salaries and wages)	\$64,900
Basic exemption	\$3,500
Maximum contributory earnings	\$61,400
Contribution rate	6.15%
Employee's maximum contribution	\$3,776.10
Employer's maximum contribution (per employee)	\$3,776.10



QPIP premiums

The table below provides the QPIP data for 2022.

QPIP data	2022
Maximum insurable earnings	\$88,000
Employee's premium rate	0.494%
Employee's maximum premium ($\$88,000 \times 0.00494$)	\$434.72
Employer's premium rate	0.692%
Employer's maximum premium (per employee) ($\$88,000 \times 0.00692$)	\$608.96

Contribution to the health services fund

The table below shows the health services fund contribution rates for 2022, by total payroll. For this year, the total payroll threshold for eligibility for a reduction of the health services fund contribution rate is increasing from \$6.5 million to \$7 million.

Health services fund contribution rates (%) for 2022

Rates	Total payroll (TP)		
	\$1,000,000 or less	\$1,000,001 to \$6,999,999	\$7,000,000 or more
Rates for employers whose total payroll is more than 50% attributable to activities in the primary and manufacturing sectors	1.25%	$0.7483 + (0.5017 \times TP/1,000,000)^1$	4.26%
Rates for all employers other than public sector employers and employers whose total payroll is more than 50% attributable to activities in the primary and manufacturing sectors	1.65%	$1.2150 + (0.4350 \times TP/1,000,000)^1$	4.26%
Rate for public sector employers	4.26%		

1. The contribution rate must be rounded off to two decimal places. If the number in the third decimal place is 5 or more, round up the number in the second decimal place.



1 INTRODUCTION

1.1 About the guide

This guide contains formulas for calculating source deductions of Québec income tax, QPP contributions, QPIP premiums and the contribution to the health services fund.

The formulas also help you calculate source deductions and contributions to be made on gratuities, retroactive pay, accumulated overtime, unused vacation and commissions.

NOTE

You cannot use the formulas to calculate source deductions of income tax from remuneration if a fixed rate must be used. For example, you cannot use the formulas to calculate source deductions of income tax on a single payment or an income supplement payment.

This guide is to be used as a supplement to the *Guide for Employers* (TP-1015.G-V), which contains everything you need to know about source deductions and employer contributions.

1.2 Abbreviations

CIP	Cooperative investment plan
CNESST	Commission des normes, de l'équité, de la santé et de la sécurité du travail
FTQ	Fédération des travailleurs et travailleuses du Québec
PRPP	Pooled registered pension plan
QPIP	Québec parental insurance plan
QPP	Québec Pension Plan
RDSP	Registered disability savings plan
RPP	Registered pension plan
RRSP	Registered retirement savings plan
VRSP	Voluntary retirement savings plan

1.3 Glossary

The terms below are defined in the context of this guide.

Employee

An individual who holds employment or an office.

Employment

Work carried out by an individual under a written or verbal contract of employment (includes an office).

Employment income

Income from employment or from an office.

Individual

A natural person.

NOTE

In this guide, the term “individual” generally refers both to an employee and to a beneficiary of an amount you pay as a payer.

Office

A position for which an individual is entitled to be remunerated.

NOTE

A member of the board of directors of a corporation holds an office, even if he or she performs no administrative duties. An individual who is an elected or appointed representative also holds an office.

Person

A natural person or a legal person.

Place of residence

A person’s place of residence within the meaning of the *Taxation Act*.

NOTE

To determine the place of residence of an individual who leaves Québec and Canada, refer to interpretation bulletin IMP. 22-3.

Remuneration

Salary or wages and any other amount that you pay as an employer (for example, a retiring allowance) or as a payer (for example, pension benefits).

Remuneration paid and salary or wages paid

Remuneration, salary or wages that are **paid, allocated, granted or awarded**.

NOTE

Tips allocated to an employee constitute salary or wages paid to the employee.

A benefit in kind (other than in cash) that you grant to an employee also constitutes a salary or wages paid to the employee. However, under the QPIP, a benefit in kind generally does not constitute eligible salary or wages; only cash remuneration paid to an employee is considered to be salary or wages paid.

Salary or wages

Gross employment income, including the following amounts and any similar payments made to a current employee or, in certain situations, a former or future employee:

- taxable benefits (including taxable allowances);
- commissions;
- overtime pay;
- vacation pay;
- retroactive pay, including payments resulting from a collective agreement signed before the death of an employee;
- tips (including allocated tips);
- advances;
- gratuities (including bonuses and incentives);
- certain amounts paid further to an industrial accident – CNESST;



- indemnities paid further to a precautionary cessation of work (that is, the amount paid to an employee under the *Act respecting occupational health and safety* for the first five days following the date on which the employee stopped working);
- the portion of the salary or wages earned during the year that is to be paid in another year, under a salary deferral arrangement;
- amounts paid to an employee during a self-funded leave of absence;
- out-of-Canada living allowances;
- location incentives paid to a physician;
- directors' fees;
- amounts paid after an employee's death (other than a death benefit), provided the payments were foreseeable at the time of death;
- fees paid in connection with employment (for example, fees paid to council or committee members);
- earnings loss benefits, income replacement benefits, supplementary retirement benefits and career impact allowances paid under the *Veterans Well-being Act* (federal statute);
- an amount paid to an employee by a person not dealing at arm's length with the employer that would have been included in the salary or wages had it been paid by the employer.

NOTE

In this guide, contrary to the definition provided in tax legislation, the term "salary or wages" does not include the following amounts:

- wage loss replacement benefits paid under a wage loss replacement plan to which the employer contributed;
- amounts paid by a trustee of an employee trust or a profit-sharing plan;
- amounts paid by a custodian of an employee benefit plan.

1.4 List of mathematical symbols

Symbol	Definition
–	minus
+	plus
/	divided by
×	multiplied by
=	equals
≥	greater than or equal to
≤	less than or equal to
%	percent



2 FORMULAS TO CALCULATE SOURCE DEDUCTIONS OF QUÉBEC INCOME TAX

This part contains the formulas for calculating source deductions of Quebec income tax on regular payments and on a cumulative average.

If the remuneration you pay to an employee is fixed (such as a salary or retirement income), you have to use the formulas in section 2.1.

If the remuneration you pay to an employee varies (such as remuneration paid on a commission basis), you have to use the formulas in section 2.2.

NOTE

If you use the formulas applicable to regular payments to calculate source deductions of income tax and compare the result with the amount shown in the *Source Deduction Table for Québec Income Tax* (TP-1015.TI-V), you may find that the amounts are not identical. The difference is attributable to the fact that different elements are taken into account in the calculation.

Exemption from source deductions of income tax

Do not withhold income tax on the remuneration of an individual or an employee who requests an exemption from source deductions of income tax on the *Source Deductions Return* (form TP-1015.3-V).

This exemption is valid only for the year of the request.

2.1 Calculating source deductions of income tax for regular payments

2.1.1 Regular payments

Use the formulas below to calculate source deductions of income tax on fixed remuneration (such as a salary or retirement income). See Appendix 1 for an example of how source deductions of income tax are calculated on regular payments.

NOTE

Use the formulas in section 2.1.2 to calculate source deductions of income tax on gratuities, retroactive pay or similar lump-sum payments (such as a payment covering accumulated overtime or unused vacation).

Step 1 – Calculating the annual income

I = Annual taxable income

= $P \times (G - F - H) - J - J_1$ ► If the result is negative, enter 0.

where

P = Number of pay periods in the year

G = Gross remuneration subject to source deductions of income tax for the pay period. Do not include gratuities, retroactive pay or similar lump-sum payments.



F = Total of the following amounts for the pay period:

- the contribution to an RPP;
- the contribution to an RRSP;
- the contribution to a VRSP or to a PRPP;
- the contribution paid for an employee under a retirement compensation arrangement;
- the deduction respecting the CIP, that is, 125% of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP;
- the travel deduction for residents of designated remote areas;
- the security option deduction;
- the portion of the remuneration that gives entitlement to one of the following deductions:
 - the deduction for employment income situated on a reserve or premises,
 - the deduction for employment income earned on a vessel,
 - the deduction for foreign specialists,
 - the deduction for foreign researchers,
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts,
 - the deduction for foreign professors,
 - the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
 - the deduction for foreign farm workers,
 - the Canadian Forces personnel and police deduction.

H = Deduction for employment income

$$= (0.06 \times D), \text{ up to a maximum of } \$1,235 / P$$

where

D = Gross salary or wages subject to source deductions of income tax for the pay period.
Do not include gratuities, retroactive pay or similar lump-sum payments.

P = Number of pay periods in the year

J = Deductions shown on line 19 of form TP-1015.3-V. If the value of J is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$= (P \times J_3) / Pr$$

where

P = Number of pay periods in the year

J₃ = Deductions shown on line 19 of form TP-1015.3-V after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)



J₁ = Annual deductions that we authorized after the individual completed form TP-1016-V, *Application for a Reduction in Source Deductions of Income Tax*. If the value of J₁ is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$= (P \times J_2) / Pr$$

where

P = Number of pay periods in the year

J₂ = Deductions that we authorized after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)

Step 2 – Calculating the income tax for the year

Y = Income tax for the year

$$= (T \times I) - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.15 \times P \times Q_1) \blacktriangleright \text{If the result is negative, enter 0.}$$

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)	Constant (K)
More than	Equal to or less than		
\$0	\$46,295	15%	\$0
\$46,295	\$92,580	20%	\$2,314
\$92,580	\$112,655	24%	\$6,017
\$112,655	–	25.75%	\$7,989

I = Annual taxable income

K = Constant used to adjust the income tax rate on the basis of the annual taxable income

K₁ = Non-refundable tax credits that we authorized for the year after the individual completed form TP-1016-V (for example, the tax credit for charitable donations and other gifts). If the value of K₁ is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$= (P \times K_2) / Pr$$

where

P = Number of pay periods in the year

K₂ = Non-refundable tax credits that we authorized after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)



E = Value of personal tax credits shown on form TP-1015.3-V

= $E_1 + E_2$ ► If the result is not a multiple of 1, round it to the nearest multiple of 1. If the result is halfway between two multiples of 1, round it up to the higher multiple.

where

E₁ = Indexed value of personal tax credits, which corresponds to one of the following amounts:

- the value of variable E_1 for 2021 multiplied by 1.0264;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the form for 2022;
- \$16,143 (the basic personal amount for 2022) for an employee who took up employment duties in 2022 and who did not complete form TP-1015.3-V and for a new beneficiary who did not complete the form.

NOTE

The value of variable E_1 for 2021 corresponds to the value of variable E_1 for 2020, multiplied by the indexation factor for 2021 **plus** 1.

E₂ = Non-indexed value of the personal tax credits, which corresponds to the amount from line 9 of form TP-1015.3-V

NOTE

There may be a limit on the deductions and personal tax credits an individual can claim on form TP-1015.3-V if the individual is not resident in Canada, or if he or she becomes resident in Canada during the year. For more information, consult guide TP-1015.G-V.

P = Number of pay periods in the year

Q = Amount withheld for the pay period for the purchase of class A Fonds de solidarité FTQ shares

Q₁ = Amount withheld for the pay period for the purchase of class A or class B Fondation shares

NOTE

The total of the amounts withheld for the year must not exceed \$5,000.

Step 3 – Calculating the income tax to be withheld for the pay period

A = Income tax to be withheld for the pay period

= $(Y / P) + L$

► If the result is negative, enter 0.

where

Y = Income tax for the year

P = Number of pay periods in the year

L = Additional source deduction of income tax requested by the individual on form TP-1015.3-V or form TP-1017-V, *Request to Have Additional Income Tax Withheld at Source*, or source deduction of income tax requested by a fisher on form TP-1015.N-V, *Election by Fishers to Have Income Tax Deducted at Source*, for the pay period



2.1.2 Gratuities, retroactive pay or similar lump-sum payments

You can use either of the following methods to calculate the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments (for example, a payment covering **accumulated overtime or unused vacation**). Note that Method 1 is more precise than Method 2.

See Appendix 2 for an example of how Method 2 is used to calculate source deductions of income tax on retroactive pay.

NOTE

If the total of the employee's annual salary or wages and the lump-sum payment is not more than \$16,143 for the year, simply withhold 8% income tax from the lump-sum payment.

Method 1

Step 1 – Calculating the annual income

I_1 = Annual taxable income

NOTE

The annual taxable income includes the income accrued before the start of the current pay period and the estimated income for the rest of the year (including the current pay period).

$$= (G_1 - F_1 - H_1) + [Pr \times (G - F - H_2)] - J - J_1 \quad \blacktriangleright \text{ If the result is negative, enter 0.}$$

where

G_1 = Total of the amounts included in variable G **accrued** before the start of the current pay period

F_1 = Total of the amounts included in variable F **accrued** before the start of the current pay period

H_1 = Total of the amounts included in variable H **accrued** before the start of the current pay period

Pr = Number of pay periods remaining in the year (including the current pay period)

G = Gross remuneration subject to source deductions of income tax for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments.

F = Total of the following amounts for the pay period:

- the contribution to an RPP;
- the contribution to an RRSP;
- the contribution to a VRSP or to a PRPP;
- the contribution paid for an employee under a retirement compensation arrangement;
- the deduction respecting the CIP, that is, 125% of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP;
- the travel deduction for residents of designated remote areas;
- the security option deduction;
- the portion of the remuneration that gives entitlement to one of the following deductions:
 - the deduction for employment income situated on a reserve or premises,
 - the deduction for employment income earned on a vessel,
 - the deduction for foreign specialists,
 - the deduction for foreign researchers,
 - the deduction for foreign researchers on a post-doctoral internship,

- the deduction for foreign experts,
- the deduction for foreign professors,
- the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
- the deduction for foreign farm workers,
- the Canadian Forces personnel and police deduction.

H₂ = Deduction for employment income

$$= (0.06 \times D_1), \text{ up to a maximum of } (\$1,235 - H_1) / Pr$$

where

D₁ =

$$= B_1 + B_2 + G_1 + D$$

where

B₁ = Gratuities, retroactive pay or similar lump-sum payments paid **since the beginning of the year** (excluding those paid during the pay period)

B₂ = Gratuities, retroactive pay or similar lump-sum payments paid **during the pay period**

G₁ = Total of the amounts included in variable G **accrued** before the start of the current pay period

D = Gross salary or wages subject to source deductions of income tax for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments.

H₁ = Total of the amounts included in variable H **accrued before the start of the current pay period**

Pr = Number of pay periods remaining in the year (including the current pay period)

J = Deductions shown on line 19 of form TP-1015.3-V. If the value of J is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$= (P \times J_3) / Pr$$

where

P = Number of pay periods in the year

J₃ = Deductions shown on line 19 of form TP-1015.3-V after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)



J₁ = Annual deductions that we authorized after the individual completed form TP-1016-V. If the value of J₁ is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$= (P \times J_2) / Pr$$

where

P = Number of pay periods in the year

J₂ = Deductions that we authorized after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)

Step 2 – Calculating the income tax for the year

Y₁ = Income tax for the year taking into account variable B₁

$$= [T \times (I_1 + B_1)] - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.15 \times P \times Q_1) \blacktriangleright \text{If the result is negative, enter 0.}$$

Y₂ = Income tax for the year taking into account variables B₁ and B₂

$$= [T \times (I_1 + B_1 + B_2)] - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.15 \times P \times Q_1) \blacktriangleright \text{If the result is negative, enter 0.}$$

NOTE

In calculating variable Y₁, you must determine the income tax rate (variable T) based on the result of the addition of variables I₁ and B₁. For example, if variable I₁ equals \$50,000 and variable B₁ equals \$5,000, the income tax rate will be 20%, which is the rate applicable to taxable income of \$55,000 (\$50,000 + \$5,000).

In calculating variable Y₂, you must determine the income tax rate (variable T) based on the result of the addition of variables I₁, B₁ and B₂.

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)	Constant (K)
More than	Equal to or less than		
\$0	\$46,295	15%	\$0
\$46,295	\$92,580	20%	\$2,314
\$92,580	\$112,655	24%	\$6,017
\$112,655	–	25.75%	\$7,989

I₁ = Annual taxable income

NOTE

The annual taxable income includes the income accrued before the start of the current pay period and the estimated income for the rest of the year (including the current pay period).

B₁ = Gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (excluding those paid during the pay period)

B₂ = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (variable B₁), including those paid during the pay period (variable B₂), you must reduce variables B₁ and B₂ accordingly.

K = Constant used to adjust the income tax rate on the basis of the annual taxable income

K₁ = Non-refundable tax credits that we authorized for the year after the individual completed form TP-1016-V (for example, the tax credit for charitable donations and other gifts).
If the value of K₁ is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$= (P \times K_2) / Pr$$

where

P = Number of pay periods in the year

K₂ = Non-refundable tax credits that we authorized after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)

E = Value of personal tax credits shown on form TP-1015.3-V

= **E₁ + E₂** ► If the result is not a multiple of 1, round it to the nearest multiple of 1. If the result is halfway between two multiples of 1, round it up to the higher multiple.

where

E₁ = Indexed value of personal tax credits, which corresponds to one of the following amounts:

- the value of variable E₁ for 2021 multiplied by 1.0264;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the form for 2022;
- \$16,143 (the basic personal amount for 2022) for an employee who took up employment duties in 2022 and who did not complete form TP-1015.3-V and for a new beneficiary who did not complete the form.

NOTE

The value of variable E₁ for 2021 corresponds to the value of variable E₁ for 2020, multiplied by the indexation factor for 2021 **plus** 1.

E₂ = Non-indexed value of the personal tax credits, which corresponds to the amount from line 9 of form TP-1015.3-V

NOTE

There may be a limit on the deductions and personal tax credits an individual can claim on form TP-1015.3-V if the individual is not resident in Canada or if he or she becomes resident in Canada during the year. For more information, consult guide TP-1015.G-V.

P = Number of pay periods in the year

Q = Amount withheld for the pay period for the purchase of class A Fonds de solidarité FTQ shares

Q₁ = Amount withheld for the pay period for the purchase of class A or class B Fondation shares

NOTE

The total of the amounts withheld for the year must not exceed \$5,000.

Step 3 – Calculating the income tax to be withheld for the pay period

A₁ = Income tax to be withheld from a gratuity, retroactive pay or similar lump-sum payment paid during the pay period

$$= Y_2 - Y_1$$

where

Y₂ = Income tax for the year taking into account variables B₁ and B₂

Y₁ = Income tax for the year taking into account variable B₁

Method 2

Step 1 – Calculating the annual income

I = Annual taxable income

$$= [P \times (G - F - H)] + B_1 + B_2 - J - J_1 \quad \blacktriangleright \text{ If the result is negative, enter 0.}$$

where

P = Number of pay periods in the year

G = Gross remuneration subject to source deductions of income tax for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments.

F = Total of the following amounts for the pay period:

- the contribution to an RPP;
- the contribution to an RRSP;
- the contribution to a VRSP or to a PRPP;
- the contribution paid for an employee under a retirement compensation arrangement;
- the deduction respecting the CIP, that is, 125% of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP;
- the travel deduction for residents of designated remote areas;
- the security option deduction;
- the portion of the remuneration that gives entitlement to one of the following deductions:
 - the deduction for employment income situated on a reserve or premises,
 - the deduction for employment income earned on a vessel,
 - the deduction for foreign specialists,
 - the deduction for foreign researchers,
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts,
 - the deduction for foreign professors,
 - the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
 - the deduction for foreign farm workers,
 - the Canadian Forces personnel and police deduction.



H = Deduction for employment income

$$= (0.06 \times D), \text{ to a maximum of } \$1,235 / P$$

where

D = Gross salary or wages subject to source deductions of income tax for the pay period.
Do not include gratuities, retroactive pay or similar lump-sum payments.

P = Number of pay periods in the year

B₁ = Gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (excluding those paid during the pay period)

B₂ = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (variable B₁), including those paid during the pay period (variable B₂), you must reduce variables B₁ and B₂ accordingly.

J = Deductions shown on line 19 of form TP-1015.3-V. If the value of J is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$= (P \times J_3) / Pr$$

where

P = Number of pay periods in the year

J₃ = Deductions shown on line 19 of form TP-1015.3-V after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)

J₁ = Annual deductions that we authorized after the individual completed form TP-1016-V. If the value of J₁ is determined after the first pay period in the year, it is instead equal to the result of the following calculation:

$$= (P \times J_2) / Pr$$

where

P = Number of pay periods in the year

J₂ = Deductions that we authorized after the first pay period in the year

Pr = Number of pay periods remaining in the year (including the current pay period)



Step 2 – Calculating the source deduction of income tax for the pay period

A = Québec income tax to be withheld from a gratuity, retroactive pay or similar lump-sum payment paid during the pay period

$$= T \times B_2$$

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)
More than	Equal to or less than	
\$0	\$46,295	15%
\$46,295	\$92,580	20%
\$92,580	\$112,655	24%
\$112,655	–	25.75%

NOTE

To determine the income tax rate that corresponds to the annual taxable income, add variables I, B₁ and B₂. For example, if variables I, B₁ and B₂ are \$50,000, \$10,000 and \$5,000, respectively, the income tax rate will be 20%, which is the rate that corresponds to taxable income of \$65,000 (\$50,000 + \$10,000 + \$5,000).

B₂ = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid during the pay period (variable B₂), you must reduce variable B₂ accordingly.

2.2 Calculating source deductions of income tax on a cumulative-averaging basis

Use the formulas below to calculate source deductions of income tax on remuneration that varies (for example, remuneration paid on a commission basis).

You can use either of the following methods to calculate the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments (for example, a payment covering accumulated overtime or unused vacation). Under Method 1, the Québec income tax to be withheld for the year is **spread out** over the pay periods remaining in the year. Under Method 2, the **total** amount of Québec income tax to be withheld for the pay period concerned is calculated, including income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments made in the pay period.

NOTES

- If the total of the employee's annual salary or wages and the lump-sum payment is not more than \$16,143 for the year, simply withhold 8% income tax from the lump-sum payment.
- If an employee completed form TP-1015.R.13.1-V, *Statement of Commissions and Expenses for Source Deduction Purposes*, add the result of the following calculation to the amount of variable G: gross commissions paid to the employee for the pay period, multiplied by the percentage of commissions calculated by the employee on form TP-1015.R.13.1-V.



Method 1

Step 1 – Calculating the annual income

I = Annual taxable income

$$= [S_1 \times (G - F - H)] + B - J - J_1 \quad \blacktriangleright \text{ If the result is negative, enter 0.}$$

where

S₁ = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)

Examples		52 pay periods	26 pay periods	24 pay periods
First pay period	$S_1 =$	52 / 1	26 / 1	24 / 1
Second pay period	$S_1 =$	52 / 2	26 / 2	24 / 2
Last pay period	$S_1 =$	52 / 52	26 / 26	24 / 24

G = Gross remuneration subject to source deductions of income tax for the pay period, plus the total gross remuneration since the beginning of the year (excluding the value of variable B)

F = Total of the following amounts taken into account since the beginning of the year (including the pay period):

- the contribution to an RPP;
- the contribution to an RRSP;
- the contribution to a VRSP or to a PRPP;
- the contribution paid for an employee under a retirement compensation arrangement;
- the deduction respecting the CIP, that is, 125% of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP;
- the travel deduction for residents of designated remote areas;
- the security option deduction;
- the portion of the remuneration that gives entitlement to one of the following deductions:
 - the deduction for employment income situated on a reserve or premises,
 - the deduction for employment income earned on a vessel,
 - the deduction for foreign specialists,
 - the deduction for foreign researchers,
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts,
 - the deduction for foreign professors,
 - the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
 - the deduction for foreign farm workers,
 - the Canadian Forces personnel and police deduction.



H = Deduction for employment income

$$= (0.06 \times D), \text{ up to a maximum of } \$1,235 / S_1$$

where

D = Gross salary or wages subject to source deductions of income tax for the pay period, plus the total gross salary or wages since the beginning of the year (including the value of variable B)

S₁ = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)

B = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period, plus those paid since the beginning of the year

J = Deductions shown on line 19 of form TP-1015.3-V

J₁ = Annual deductions that we authorized after the individual completed form TP-1016-V

Step 2 – Calculating the income tax for the year

Y = Income tax for the year

$$= (T \times I) - K - K_1 - (0.15 \times E) - (0.15 \times S_1 \times Q) - (0.15 \times S_1 \times Q_1) \blacktriangleright \text{ If the result is negative, enter 0.}$$

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)	Constant (K)
More than	Equal to or less than		
\$0	\$46,295	15%	\$0
\$46,295	\$92,580	20%	\$2,314
\$92,580	\$112,655	24%	\$6,017
\$112,655	–	25.75%	\$7,989

I = Annual taxable income

K = Constant used to adjust the income tax rate on the basis of the annual taxable income

K₁ = Non-refundable tax credits that we authorized for the year after the individual completed form TP-1016-V (for example, the tax credit for charitable donations and other gifts)



E = Value of personal tax credits shown on form TP-1015.3-V

= $E_1 + E_2$ ► If the result is not a multiple of 1, round it to the nearest multiple of 1. If the result is halfway between two multiples of 1, round it up to the higher multiple.

where

E₁ = Indexed value of personal tax credits, which corresponds to one of the following amounts:

- the value of variable E_1 for 2021 multiplied by 1.0264;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the form for 2022;
- \$16,143 (the basic personal amount for 2022) for an employee who took up employment duties in 2022 and who did not complete form TP-1015.3-V and for a new beneficiary who did not complete the form.

NOTE

The value of variable E_1 for 2021 corresponds to the value of variable E_1 for 2020, multiplied by the indexation factor for 2021 **plus** 1.

E₂ = Non-indexed value of the personal tax credits, which corresponds to the amount from line 9 of form TP-1015.3-V

NOTE

There may be a limit on the deductions and personal tax credits an individual can claim on form TP-1015.3-V if the individual is not resident in Canada or if he or she becomes resident in Canada during the year. For more information, consult guide TP-1015.G-V.

S₁ = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)

Q = Amount withheld for the pay period for the purchase of class A Fonds de solidarité FTQ shares

Q₁ = Amount withheld for the pay period for the purchase of class A or class B Fondation shares

NOTE

The total of the amounts withheld for the year must not exceed \$5,000.

Step 3 – Calculating the income tax to be withheld for the pay period

A = Income tax to be withheld for the pay period

= $[(Y / S_1) - M] + L$

► If the result is negative, enter 0.

where

Y = Income tax for the year

S₁ = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)

M = Cumulative income tax withheld to the last pay period (do not take into account variable L)

L = Additional source deduction of income tax requested by the individual on form TP-1015.3-V or form TP-1017-V, *Request to Have Additional Income Tax Withheld at Source*, or source deduction of income tax requested by a fisher on form TP-1015.N-V, *Election by Fishers to Have Income Tax Deducted at Source*, for the pay period

Method 2

If you use Method 2, **you must first** determine the Québec income tax to be withheld from a gratuity, retroactive pay or similar lump-sum payment that you paid during the pay period (variable A_3), **and then** determine the Québec income tax to be withheld from the other remuneration paid during the pay period (variable A). You proceed this way because the amount determined for variable A_3 will affect the amount determined for variable A.

Step 1 – Calculating the annual income

$$I_3 = \text{Annual taxable income (take into account variable } B_3)$$

$$= [S_1 \times (G - F - H_1)] + B_3 - J - J_1 \quad \blacktriangleright \text{ If the result is negative, enter 0.}$$

$$I_4 = \text{Annual taxable income (take into account variable } B_4)$$

$$= [S_1 \times (G - F - H_2)] + B_4 - J - J_1 \quad \blacktriangleright \text{ If the result is negative, enter 0.}$$

where

$$S_1 = \text{Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)}$$

Examples		52 pay periods	26 pay periods	24 pay periods
First pay period	$S_1 =$	52 / 1	26 / 1	24 / 1
Second pay period	$S_1 =$	52 / 2	26 / 2	24 / 2
Last pay period	$S_1 =$	52 / 52	26 / 26	24 / 24

$$G = \text{Gross remuneration subject to source deductions of income tax for the pay period, plus the total gross remuneration since the beginning of the year (excluding the value of variable B)}$$

$$F = \text{Total of the following amounts taken into account since the beginning of the year (including the pay period):}$$

- the contribution to an RPP;
- the contribution to an RRSP;
- the contribution to a VRSP or to a PRPP;
- the contribution paid for an employee under a retirement compensation arrangement;
- the deduction respecting the CIP, that is, 125% of the amount withheld from the employee's remuneration for the purchase of preferred shares qualifying under the CIP;
- the travel deduction for residents of designated remote areas;
- the security option deduction;
- the portion of the remuneration that gives entitlement to one of the following deductions:
 - the deduction for employment income situated on a reserve or premises,
 - the deduction for employment income earned on a vessel,
 - the deduction for foreign specialists,
 - the deduction for foreign researchers,
 - the deduction for foreign researchers on a post-doctoral internship,
 - the deduction for foreign experts,



- the deduction for foreign professors,
- the deduction for foreign producers or foreign individuals holding a key position in a foreign production filmed in Québec,
- the deduction for foreign farm workers,
- the Canadian Forces personnel and police deduction.

H₁ = Deduction for employment income (taking into account variable B₃)

= **$[0.06 \times (D_1 + B_3)]$, up to a maximum of \$1,235 / S₁**

where

D₁ = Total gross salary or wages since the beginning of the year, **excluding variable B₃**

B₃ = Gratuities, retroactive pay or similar lump-sum payments paid during the pay period **plus those paid since the beginning of the year (variable B₄)**

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year, you must reduce variable B₃ accordingly.

S₁ = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)

H₂ = Deduction for employment income (taking into account variable B₄)

= **$[0.06 \times (D_1 + B_4)]$, up to a maximum of \$1,235 / S₁**

where

D₁ = Total gross salary or wages since the beginning of the year, **excluding variable B₄**

B₄ = Gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year (other than those paid during the pay period)

NOTE

If you took into account an amount included in variable F in calculating the income tax to be withheld from gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year, you must reduce variable B₄ accordingly.

S₁ = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)

J = Deductions shown on line 19 of form TP-1015.3-V

J₁ = Annual deductions that we authorized after the individual completed form TP-1016-V



Step 2 – Calculating the income tax for the year

$$Y_3 = \text{Income tax for the year (taking into account variable } B_3) \\ = (T \times I_3) - K - K_1 - (0.15 \times E) - (0.15 \times S_1 \times Q) - (0.15 \times S_1 \times Q_1) \quad \blacktriangleright \text{ If the result is negative, enter 0.}$$

$$Y_4 = \text{Income tax for the year (taking into account variable } B_4) \\ = (T \times I_4) - K - K_1 - (0.15 \times E) - (0.15 \times S_1 \times Q) - (0.15 \times S_1 \times Q_1) \quad \blacktriangleright \text{ If the result is negative, enter 0.}$$

where

T = Income tax rate applicable to the bracket of annual taxable income

Annual taxable income (I)		Income tax rate (T)	Constant (K)
More than	Equal to or less than		
\$0	\$46,295	15%	\$0
\$46,295	\$92,580	20%	\$2,314
\$92,580	\$112,655	24%	\$6,017
\$112,655	–	25.75%	\$7,989

I₃ = Annual taxable income, taking into account variable B_3

I₄ = Annual taxable income, taking into account variable B_4

K = Constant used to adjust the income tax rate on the basis of the annual taxable income

K₁ = Non-refundable tax credits that we authorized for the year after the individual completed form TP-1016-V (for example, the tax credit for charitable donations and other gifts)

E = Value of personal tax credits shown on form TP-1015.3-V

= $E_1 + E_2$ \blacktriangleright If the result is not a multiple of 1, round it to the nearest multiple of 1. If the result is halfway between two multiples of 1, round it up to the higher multiple.

where

E₁ = Indexed value of personal tax credits, which corresponds to one of the following amounts:

- the value of variable E_1 for 2021 multiplied by 1.0264;
- the amount from line 7 of form TP-1015.3-V, for an individual who completed the form for 2022;
- \$16,143 (the basic personal amount for 2022) for an employee who took up employment duties in 2022 and who did not complete form TP-1015.3-V and for a new beneficiary who did not complete the form.

NOTE

The value of variable E_1 for 2021 corresponds to the value of variable E_1 for 2020, multiplied by the indexation factor for 2021 **plus** 1.



E_2 = Non-indexed value of the personal tax credits, which corresponds to the amount from line 9 of form TP-1015.3-V

NOTE

There may be a limit on the deductions and personal tax credits an individual can claim on form TP-1015.3-V if the individual is not resident in Canada or if he or she becomes resident in Canada during the year. For more information, consult guide TP-1015.G-V.

S_1 = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)

Q = Amount withheld for the pay period for the purchase of class A Fonds de solidarité FTQ shares

Q_1 = Amount withheld for the pay period for the purchase of class A or class B Fondation shares

NOTE

The total of the amounts withheld for the year must not exceed \$5,000.

Step 3 – Calculating the income tax to be withheld for the pay period

A_4 = Income tax to be withheld for the pay period

$$= A + A_3$$

where

A = Income tax to be withheld from the remuneration for the pay period. **Do not include** gratuities, retroactive pay or similar lump-sum payments paid during the pay period.

$$= \frac{[(Y - M_1) / S_1] - M + L}{S_1}$$

► If the result is negative, enter 0.

where

Y = Income tax for the year corresponding to the value of variable Y_3

M_1 = Cumulative income tax withheld from gratuities, retroactive pay or similar lump-sum payments paid since the beginning of the year, **including variable A_3**

S_1 = Annualization factor (the number of pay periods in the year, divided by the number corresponding to the current pay period)

M = Cumulative income tax withheld to the last pay period (**excluding variables L and M_1**)

L = Additional source deduction of income tax requested by the individual on form TP-1015.3-V or form TP-1017-V, *Request to Have Additional Income Tax Withheld at Source*, or source deduction of income tax requested by a fisher on form TP-1015.N-V, *Election by Fishers to Have Income Tax Deducted at Source*, for the pay period

A_3 = Income tax to be withheld from a gratuity, retroactive pay or similar lump-sum payment paid during the pay period

$$= Y_3 - Y_4$$

where

Y_3 = Income tax for the year (taking into account variable B_3)

Y_4 = Income tax for the year (taking into account variable B_4)

3 FORMULA TO CALCULATE QPP CONTRIBUTIONS

3.1 Employee contribution

Use the formula below to calculate the employee contribution to the QPP **only for an employee whose employment is continuous and whose pay periods are regular.**

For each pay period, you must withhold the employee's contribution to the QPP from his or her contributory earnings until the total of the amounts withheld reaches the employee's maximum annual contribution. Contributory earnings in the formula correspond to $S_3 - (V / P)$.

Calculating the employee QPP contribution

$$C = \text{Employee's QPP contribution to be withheld for the pay period}$$
$$= 0.0615 \times [S_3 - (V / P)], \text{ up to a maximum of } M - A_5$$

NOTE

If variable C is an amount containing a fraction of a cent, do not take into account a fraction of less than \$0.005 (one-half cent). A fraction of \$0.005 or more is considered \$0.01 (one cent).

If variable C is greater than 0 but less than \$0.01, you must withhold \$0.01 as a contribution even if the fraction is less than \$0.005 (one-half cent). For example, if variable C is equal to \$0.001 (one-tenth cent), you must withhold \$0.01.

If the result obtained in calculating the pay period exemption (V / P) contains three or more decimal places, keep only the first two decimal places and do not round off.

Example: $V / P = \$3,500 / 52 = \$67.3077 = \$67.30$

The contribution rate of 6.15% is comprised of the base rate of 5.40% and of the first additional rate of 0.75%.

where

S_3 = Employee's gross pensionable salary or wages under the QPP for the pay period

V = Basic exemption for the year under the QPP (\$3,500)

P = Number of pay periods in the year

M = Employee's maximum annual QPP contribution (\$3,776.10)

A_5 = Employee's QPP contributions withheld since the beginning of the year, before the pay period

NOTE

When a gratuity, overtime pay or retroactive pay is paid **separately** from the employee's salary or wages, and the pay period exemption (V / P) has already been taken into account, the withholding is 6.15% of the amount paid, up to a maximum of $M - A_5$.

3.2 Employer contribution

There is no formula to calculate the employer contribution. You simply pay a contribution that is equal to the total amount of the contributions you **withheld** from the employees' pensionable salary or wages. The employer contribution corresponds to the total amount of employee contributions calculated using the formula in section 3.1.

4 FORMULAS TO CALCULATE QPIP PREMIUMS

4.1 Employee premium

Use the formula below to calculate the employee QPIP premium.

For each pay period, you must withhold an employee's QPIP premium from his or her gross eligible salary or wages until the total amount reaches the employee's maximum annual premium.

Calculating the employee QPIP premium

A_p = Employee's QPIP premium to be withheld for the pay period

$$= (0.00494 \times S_4), \text{ up to a maximum of } N - A_6$$

NOTE

If variable A_p is an amount containing a fraction of a cent, do not take into account a fraction of less than \$0.005 (one-half cent). A fraction of \$0.005 or more is considered \$0.01 (one cent).

If variable A_p is greater than 0 but less than \$0.01, you must withhold \$0.01 as a premium even if the fraction is less than \$0.005 (one-half cent). For example, if variable A_p is equal to \$0.001 (one-tenth cent), you must withhold \$0.01.

where

S₄ = Employee's gross eligible salary or wages under the QPIP for the pay period

N = Employee's maximum annual QPIP premium (\$434.72)

A₆ = Employee's QPIP premiums withheld since the beginning of the year, before the pay period



4.2 Employer premium (for each employee)

Use the formula below to calculate the employer QPIP premium.

For each pay period, you must calculate the employer's QPIP premium on the basis of the employee's gross eligible salary or wages under the QPIP until the total amount reaches the employer's maximum annual premium for that employee. **Once the employee's maximum annual premium is reached, the employer's maximum annual premium is also reached.**

Calculating the employer QPIP premium (for each employee)

A_{p_1} = Employer's QPIP premium for the pay period with respect to the employee

$$= (0.00692 \times S_4), \text{ up to a maximum of } N_1 - A_7$$

NOTE

If variable A_{p_1} is an amount containing a fraction of a cent, do not take into account a fraction of less than \$0.005 (one-half cent). A fraction of \$0.005 or more is considered \$0.01 (one cent).

where

S_4 = Employee's gross eligible salary or wages under the QPIP for the pay period

N_1 = Employer's maximum annual QPIP premium with respect to each employee (\$608.96)

A_7 = Employer's QPIP premiums calculated for previous pay periods with respect to the employee



5 FORMULA TO CALCULATE THE CONTRIBUTION TO THE HEALTH SERVICES FUND

Use the formula below to calculate the contribution to the health services fund.

Note that the health services fund contribution rate varies depending on your **total payroll** for the year and your sector of activity.

Calculating the contribution to the health services fund

D_2 = Contribution to the health services fund for the pay period

$$= W \times S_2$$

where

$W(\%)$ = Health services fund contribution rate

S_2 = Total salaries or wages paid for the pay period respecting which you are required to pay a contribution to the health services fund

NOTE

The contribution rate must be rounded off to two decimal places. If the number in the third decimal place is 5 or more, round up the number in the second decimal place.

If you are an employer whose total payroll is more than 50% attributable to activities in the primary and manufacturing sectors, your contribution rate is calculated as follows

$$W(\%) = 0.7483 + (0.5017 \times S)$$

where

S = 1, if the total payroll is \leq \$1,000,000

S = 7, if the total payroll is \geq \$7,000,000

S = $\frac{\text{total payroll}}{\$1,000,000}$, if the total payroll is between \$1,000,000 and \$7,000,000

NOTE

The primary and manufacturing sector activities are classified under codes 11, 21 and 31–33 of the North American Industry Classification System (NAICS). For a description of the codes, visit the Statistics Canada website.



If you are neither an employer whose total payroll is more than 50% attributable to activities in the primary and manufacturing sectors nor a public sector employer, your contribution rate is calculated as follows:

$$W(\%) = 1.2150 + (0.4350 \times S)$$

where

$$S = 1, \text{ if the total payroll is } \leq \$1,000,000$$

$$S = 7, \text{ if the total payroll is } \geq \$7,000,000$$

$$S = \frac{\text{total payroll}}{\$1,000,000}, \text{ if the total payroll is between } \$1,000,000 \text{ and } \$7,000,000$$

If you are a public sector employer, your contribution rate is 4.26%, regardless of your total payroll.

Periodic remittances of the contribution to the health services fund

Use an **estimated contribution rate** to calculate the periodic remittances you have to make in the year because the actual contribution rate for the year will only be determined when you file the RL-1 summary. The estimated contribution rate for a new employer is not calculated in the same way as it is for other employers.

New employers

For the **first two consecutive years** in which you have to pay the contribution to the health services fund, your contribution rate for each periodic remittance corresponds to the rate that would apply if your **total payroll** for the year was equal to the portion of your **total payroll** paid from the beginning of the year to the end of the period covered by the remittance. The contribution rate must be adjusted each remittance period to take into account the **cumulative total payroll** for the preceding periods.

Other employers

For years following the first two consecutive years for which you paid the contribution to the health services fund, your contribution rate is the rate that would apply if your **total payroll** for the year were the same as your total payroll for the previous year.

For more information, see guide TP-1015.G-V.



APPENDIX 1

EXAMPLE OF HOW TO CALCULATE THE SOURCE DEDUCTION OF INCOME TAX ON REGULAR PAYMENTS

An employee receives a gross salary of \$2,000 per week. The employee's contribution to an RPP is \$200 per week. The employee's deduction for foreign professors is \$500 per week. The amount entered on line 10 of form TP-1015.3-V for the year is \$21,830. On January 3, the employee purchased \$2,000 worth of shares of the Fonds de solidarité FTQ and \$3,000 worth of shares of Fondation, payable over the first 20 pay periods of the year.

For the first 20 pay periods in the year, the source deductions of income tax are calculated as follows:

Step 1

$$\begin{aligned}
 \mathbf{I} &= \text{Annual taxable income} \\
 &= \mathbf{P \times (G - F - H) - J - J_1} \\
 &= 52 \times [\$2,000 - (\$200 + \$500) - \$23.75] - \$0 - \$0 \\
 &= (52 \times \$1,276.25) - \$0 - \$0 \\
 &= \$66,365 - \$0 - \$0 \\
 &= \$66,365
 \end{aligned}$$

Step 2

$$\begin{aligned}
 \mathbf{Y} &= \text{Income tax for the year} \\
 &= \mathbf{[(T \times I) - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.15 \times P \times Q_1)]} \\
 &= [(0.20 \times \$66,365) - \$2,314 - \$0 - (0.15 \times \$21,830) - (0.15 \times 52 \times \$100) - (0.15 \times 52 \times \$150)] \\
 &= \$13,273 - \$2,314 - \$0 - \$3,274.50 - \$780 - \$1,170 \\
 &= \$5,734.50
 \end{aligned}$$

Step 3

$$\begin{aligned}
 \mathbf{A} &= \text{Income tax to be withheld for the pay period} \\
 &= \mathbf{(Y / P) + L} \\
 &= (\$5,734.50 / 52) + \$0 \\
 &= \$110.28
 \end{aligned}$$



For the 32 pay periods remaining in the year, the source deductions of income tax are calculated as follows:

Step 1

$$\begin{aligned} \mathbf{I} &= \text{Annual taxable income} \\ &= \mathbf{P \times (G - F - H) - J - J_1} \\ &= 52 \times [\$2,000 - (\$200 + \$500) - \$23.75] - \$0 - \$0 \\ &= (52 \times \$1,276.25) - \$0 - \$0 \\ &= \$66,365 - \$0 - \$0 \\ &= \$66,365 \end{aligned}$$

Step 2

$$\begin{aligned} \mathbf{Y} &= \text{Income tax for the year} \\ &= \mathbf{[(T \times I) - K - K_1 - (0.15 \times E) - (0.15 \times P \times Q) - (0.15 \times P \times Q_1)]} \\ &= [(0.20 \times \$66,365) - \$2,314 - \$0 - (0.15 \times \$21,830) - (0.15 \times 52 \times \$0) - (0.15 \times 52 \times \$0)] \\ &= \$13,273 - \$2,314 - \$0 - \$3,274.50 - \$0 - \$0 \\ &= \$7,684.50 \end{aligned}$$

Step 3

$$\begin{aligned} \mathbf{A} &= \text{Income tax to be withheld for the pay period} \\ &= \mathbf{(Y / P) + L} \\ &= (\$7,684.50 / 52) + \$0 \\ &= \$147.78 \end{aligned}$$



APPENDIX 2

EXAMPLE OF HOW TO CALCULATE THE SOURCE DEDUCTION OF INCOME TAX ON A RETROACTIVE PAYMENT

An employee receives a gross salary of \$2,000 per week. The employee's contribution to an RPP is \$200 per week. The employee's deduction for a foreign professor is \$500 per week. Each pay period, her employer withholds \$210.74 in income tax from the salary paid.

During a pay period, the employee receives, in addition to her salary, retroactive pay of \$4,000. For that pay period, the employee's RPP contribution is \$600, of which \$400 is related to the retroactive pay.

Step 1

$$\begin{aligned} \mathbf{I} &= \text{Annual taxable income} \\ &= \mathbf{[P \times (G - F - H)] + B_1 + B_2 - J - J_1} \\ &= [52 \times (\$2,000 - (\$200 + \$500) - \$23.75)] + \$0 + (\$4,000 - \$400) - \$0 - \$0 \\ &= (52 \times \$1,276.25) + \$0 + \$3,600 - \$0 - \$0 \\ &= \$66,365 + \$0 + \$3,600 - \$0 - \$0 \\ &= \$69,965 \end{aligned}$$

Step 2

$$\begin{aligned} \mathbf{A} &= \text{Income tax to be withheld from retroactive pay paid during the pay period} \\ &= \mathbf{(T \times B_2)} \\ &= (0.20 \times \$3,600) \\ &= \$720 \end{aligned}$$

The **total** income tax to be withheld for the pay period is \$930.74, that is, the income tax to be withheld from the retroactive pay (\$720) plus the income tax to be withheld from the salary (\$210.74).



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